

KNOW YOUR CUSTOMER (KYC)

FREQUENTLY ASKED QUESTION

1. What is KYC?

Know Your Customer a term used for Customer identification process. KYC is the due diligence that Banks must perform to identify their clients and ascertain relevant information pertinent to doing business with them. KYC policies have become increasingly important globally to prevent & identity theft, fraud, money laundering and terrorist financing, and enable Bank and the customer to know each other.

2. What is Money laundering?

Money laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by crime perpetrators worldwide to conceal criminal activity associated with it such as drugs / arms trafficking, terrorism and extortion. All illegal financial benefits give rise to money laundering.

3. Reserve Bank of India guidelines on KYC

As per the guidelines on KYC, banks are required to carry out due diligence of customers before opening any the account. The objective of doing so is to enable the Bank to have positive identification of its customers. This is also in the interest of customers to safeguard their hard earned money.

The objective of the KYC guidelines is to prevent banks being used, intentionally or unintentionally by criminal elements for money laundering.

The KYC guidelines of RBI mandate banks to collect three proofs from their customers. They are

- a. Photograph
- b. Proof of identity
- c. Proof of current address

4. Bank's Policy on KYC

In terms of RBI guidelines, we have formulated KYC policy, as per which the following documents are accepted as identity and address proofs for customers:

Identity Proof (any one of the following)	Address Proof (any one of the following)
Passport	Latest Electricity Bill *
PAN card	Latest Telephone Bill *
Permanent Driving License	Letter from any recognized public authority
Voter ID card	Letter from employer (subject to satisfaction of the bank)
Employee ID cards / Letter from Reputed Employers holding a/c with the Bank	Bank account statement/Pass Book (Not more that 6 months old & should be attested by the Bank official)

*(Not more that 6 months old)

This is an indicative list of proofs that are accepted and specific requirements, if any, will be taken up by the Branch suitably.

5. What are the Customer Acceptance guidelines?

Customer Acceptance guidelines refers to the general directions followed by the bank to open account with them. The guidelines stipulate that no accounts shall be opened in anonymous or fictitious / benami names and the level of risks that the Bank is exposed to the relationship. The Bank will be entitled to refuse to open the account (for prospective customer) or discontinue its relationship with any existing customer in case of non-providing of satisfactory KYC information / documents.

In case the individual customer is found to be having CIBIL rating of below 700, Bank reserves the right to refuse the cheque book facility. However other facilities like Cash deposit, Cash withdrawal, Cheque deposit, ATM, ECS/NEFT/RTGS credits will be available.

6. What is Customer Identification procedure?

Customer identification means, matching the KYC documents to the customer and verifying his/her identity by using reliable independent source document.

7. What is Customer profile?

The customer profile contains information relating to customers identity such as name, address, personal details like qualification, marital status, nature of business activity or occupation, income levels, source of income, details of assets, purpose of opening the account, expected value of transactions in a month, no.of transactions, no.of & value of cash transaction in a month. This helps the Bank to understand the needs of the customer as well as to compare the level of transactions with the activity of the customer.

8. What is Risk categorisation of customer's a/c?

RBI "KYC" guidelines require classification of a/cs under "High Risk", Medium Risk" and "Low Risk" depending on the risk factors underlying customer profile. This enables monitoring of the transactions on a regular basis and make necessary enquiries clarifying the doubts.

9. Periodical review of accounts and submission of fresh KYC documents.

As per RBI guidelines the a/cs are to be reviewed at periodic intervals based on the Risk category. Fresh KYC documents have to be submitted at the time of review or as and when the bank feels it is necessary to obtain additional information from existing customers based on the conduct of the account. It is also required when there are changes in the signatories, mandate holders, beneficial owners, etc. In respect of non-account holders, the KYC documents are required on their approaching the bank for high value one-off transactions like Drafts, Remittances etc.

10. Relaxation in KYC requirement for Small Depositors:

RBI have simplified the KYC procedure for small deposit account holders. This is for customers intending to have balances below Rs. 50,000 in all their accounts taken together in the Bank. The total credits in all these accounts are not expected to exceed Rs. 1 lakh in a year. In such cases where the depositor is not able to submit the required KYC documents, an introduction from another existing account holder who has been subjected to full KYC procedure will suffice. The introducer has to certify the Photograph and address of the depositor who proposes to open the account. Bank can also accept any other documents as to the identity and address of the customer, if available.

In the event the balances in all his/her accounts with the bank exceeds Rs.50,000 or total credit in the account exceeds Rs. 1 lakh in a year, the customer is required to complete the full normal KYC procedure if the customer wishes to continue transacting in the account.

11. RBI guidelines on "Ceiling and Monitoring of Cash Transactions

These guidelines form part of the "KYC" principles.

- Banks issue Travelers cheques, Demand drafts, Mail transfer and Telegraphic transfers for Rs.50,000 and above only by way of debit to customers' accounts or against cheques and **not against cash**.
- Demand drafts, Mail transfers and Travelers cheques for Rs. 50,000 and above can be encashed at banks only by way of credit to the customer's account or through other banking channels and **not in cash**.
- Further, for Cash transactions exceeding Rs.50,000/- Permanent Account Number (PAN) is required to be indicated on the application. Non-customers will have to provide a copy of the PAN card at the time of transacting.
- The banks keep a close watch of cash transactions totaling to Rs. 10 lakhs and above. The details of these accounts are required to be reported to Govt. of India, on monthly basis. The customers will have to provide information on these transactions, when called for by the Bank.

KYC is a process to protect the Bank and its customers.